To: Massachusetts Energy Efficiency Advisory Council
From: Todd Olinsky-Paul, Senior Project Director, Clean Energy Group
RE: Recommendations on Equity in ConnectedSolutions Battery Program
Date: February 8, 2023

Thank you for this opportunity to provide comments to the Energy Efficiency Advisory Council (EEAC). I would like to speak to the current opportunity to improve the ConnectedSolutions customer battery program by adding income-eligible provisions that would allow low- and moderate-income ratepayers to access the program.

Since Clean Energy Group (CEG) began working on energy storage policy in Massachusetts in 2016, we have has consistently advocated for equity provisions in all the Commonwealth's energy storage programs, and specifically in ConnectedSolutions. In fact, in 2018 CEG conducted an independent [cost-benefit analysis] demonstrating that an income-eligible battery program would be cost effective using the program administrators' (PAs) own cost effectiveness test. Unfortunately, and despite assurances from the PAs, an income-eligible program was not developed. Consequently, uptake by low- and moderate-income customers has been minimal. With ConnectedSolutions, the Commonwealth has created a nation-leading battery program, but it has failed to live up to its commitment to equity in clean energy and efficiency, as expressed in the Affordable Access to Clean and Efficient Energy Initiative and reaffirmed in the Next Generation Climate Roadmap.[1]

Today, however, we see a new opportunity to correct this omission. Recent regulatory orders, new national tax incentives, and best practices gleaned from other state programs combine to create the best opportunity to date for the EEAC, together with Low-Income Energy Affordability Network (LEAN) and the PAs, to begin work on new income-eligible provisions within ConnectedSolutions.

This new opportunity for storage equity in Massachusetts is shaped by three recent changes in the energy storage landscape:

1. Four years after it was first proposed, the Massachusetts Department of Public Utilities has finally approved The Cape Light Compact's Cape & Vineyard Electrification Offering. This is a low- and moderate-income program that will provide free solar PV, battery storage, and heat pump systems to qualified low- and moderate-income customers on Cape Cod. DPU approval of this program is very significant for at least two reasons:
    a. It demonstrates that a low-income battery storage program can be implemented in Massachusetts under MassSave. As noted above, the other PAs have declined to develop such a program until now.

[1] For more information on the successes and shortcomings of the Massachusetts ConnectedSolutions program, see CEG's 2021 report, "ConnectedSolutions: An Assessment for Massachusetts."

b. It creates a legal precedent for a battery rebate in MassSave. Previously, the DPU had only approved performance payments for battery owners; however, this new Cape Light Compact program includes a 100% incentive for batteries, establishing a precedent for an income-eligible rebate in the ConnectedSolutions statewide program. A rebate would be helpful to income-eligible customers because unlike performance payments, an up-front rebate offsets the initial cost barrier that can prevent income-eligible customers from purchasing a battery.

2. The federal Inflation Reduction Act of 2022 includes new rules for the federal Investment Tax Credit:

    a. The credit, which previously only pertained to battery storage if it was installed with and charged by solar PV, now applies to stand-alone battery storage. This is the first time energy storage has received a dedicated federal tax credit. This credit can bring down the levelized cost of storage by up to 50 percent.

    b. Under the new ITC rules, a direct payment option is now available for non-taxed entities, such as nonprofits and municipalities, that cannot directly benefit from a tax credit. Connecticut has taken advantage of this by including nonprofit affordable housing providers in their residential battery incentive programs, so that these nonprofits can benefit from both the new federal tax credit and the state income-eligible storage incentive. The same could be done in Massachusetts.

3. As noted above, other states have not only replicated the Massachusetts ConnectedSolutions program, but they have also improved on it, notably in the area of low-income access. For example, Connecticut's Energy Storage Solutions program combines performance payments with an up-front rebate, with a 100% rebate adder for income-eligible customers. Connecticut's program also features other equity provisions, such as an on-bill payment option and a Justice40 commitment for program budgets. Massachusetts could and should learn from the experiences of other states and adopt program elements that are shown to work well. Incidentally, Eversource was instrumental in designing the Connecticut program.

To summarize the above: The recent DPU order signals that an income-eligible battery program with a rebate qualifies for MassSave; new federal tax credit rules make energy storage more affordable than ever before; and good examples of income-eligible battery programs exist in neighboring states, such as Connecticut, from which Massachusetts can learn. In combination, these elements create an unparalleled opportunity. The EEAC, LEAN, and the Massachusetts program administrators should immediately begin working to develop and implement an income-eligible battery program within ConnectedSolutions. As always, Clean Energy Group will continue to provide advocacy and analytic support wherever we can be of help.

Thank you for the opportunity to present these comments.